

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 473
Economic Matters

(Delegate Ali, *et al.*)

**Baltimore City - Private Passenger Motor Vehicle Liability Insurance - Notice
and Use of Consumer Report**

This bill requires a private passenger motor vehicle insurer that issues, delivers, or renews a policy in Baltimore City to (1) provide specified information to an applicant or insured concerning consumer reports that contain information about motor vehicle insurance losses and (2) provide an insured with a refund of excess premium if inaccurate information in a consumer report is used to incorrectly rate the insured's policy.

Fiscal Summary

State Effect: State finances and operations are not materially affected.

Maryland Automobile Insurance Fund (MAIF) Effect: MAIF can handle the bill's requirements using existing resources. Revenues are not affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: An insurer must provide notice that the applicant or insured may request a copy of a consumer report from any consumer reporting agency that tracks and retains information related to motor vehicle insurance losses from insurance claims. The notice must include the name and contact information of any consumer agency that can be contacted to obtain information about how to request a copy of, and dispute items in, a

consumer report. The notice must be provided at the time of application for or issuance of a policy and during each policy renewal.

If an insured or applicant is classified by an insurer to pay a higher premium based on information contained in a consumer report, and that information is later found to be incorrect, the insurer must refund any excess premium and fees paid by the insured that exceed what would have been paid if the insured were classified correctly.

Current Law/Background:

Consumer Reports and Consumer Reporting Agencies

Consumer reports are any communication by a consumer reporting agency that has bearing on, among other things, a consumer's credit, character, reputation, or personal characteristics and is used as a factor in establishing a consumer's eligibility for credit, insurance, employment, or other specified purposes. A consumer reporting agency is any person that collects payment to regularly collect or evaluate information on consumers for the purpose of furnishing reports to third parties. The Department of Labor, Licensing, and Regulation advises that there were 39 registered credit reporting agencies in fiscal 2017.

One of the most common consumer reports that tracks motor vehicle insurance claims and losses is the Comprehensive Loss Underwriting Exchange (CLUE) report. CLUE reports are produced by LexisNexis, and there are two types of reports: one specific to automobile insurance losses and one for general personal property losses. Each report provides a seven-year history of losses associated with an individual, including specific information related to each loss. Under federal law, each consumer is entitled to obtain one free copy of their CLUE reports during each 12-month period. The method for requesting a CLUE report can be found on the [LexisNexis website](#).

Automobile Insurance Rating

In Maryland, auto insurers use complex formulas with numerous variables to determine premium rates for insurance policies. Insurers attempt to measure how likely an insured is to make claims or have accidents based on the characteristics of the driver and the insured vehicle. Using this information, insurers classify applicants and insureds into risk pools with different premium rates. Some of the characteristics used to classify insureds include driving records (*e.g.*, violations and accidents); county or zip code of residence; gender; age; marital status; prior insurance coverage history; and age, make, and model of the vehicle being insured.

The driving record of an insurance applicant is frequently obtained from consumer reports, and in some cases, may contain incorrect information. If the Maryland Insurance

Administration (MIA) receives a complaint and determines that an insured was misclassified due to faulty information from a consumer report, MIA has the authority to order the insurer to make a rate correction and issue a refund.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration; Department of Labor, Licensing, and Regulation; Maryland Automobile Insurance Fund; LexisNexis; Department of Legislative Services

Fiscal Note History: First Reader - January 30, 2018
nb/jc

Analysis by: Richard L. Duncan

Direct Inquiries to:
(410) 946-5510
(301) 970-5510